APPENDIX C

Procurement Guidelines

Made in accordance with Condition C16 of National Grid Electricity Transmission plc's electricity transmission licence

Applies from 1 April 2009

Version Control

Date	Version No.	Notes
20.03.01	1.0	Initial version
21.09.01	1.1	Revision to initial version to incorporate new intentions on the procurement of Fast Reserve
01.05.02	2.0	Annual revision incorporating updates to information provision and Licence Condition references
01.05.03	3.0	Revision following annual review
28.11.03	3.1	Revision to incorporate introduction of Maximum Generation Service, POT, and the development of demand side services.
01.05.04	4.0	Revision following annual review
04.10.04	4.1	Revisions to incorporate changes as a result of CAP071: the development of Maximum Generation Service
01.01.05	4.2	Revisions to incorporate changes relating to BETTA
15.07.05	4.3	Revisions to incorporate changes as a result of CAP076: Treatment of System to Generating Intertripping Schemes
02.09.05	5.0	Revisions to incorporate changes relating to the provision of warming data; and the informal annual review
06.04.06	6.0	Revision following annual review
01.11.06	7.0	Revisions to incorporate the replacement of the Warming & Hot Standby service with BM Start Up service

01.04.07	8.0	Revisions to incorporate Short Term Operating Reserve (STOR)
01.04.09	9.0	Revisions following annual review and implementation of 'plain English' (awaiting direction from the Authority)
	9.1	Revisions following incorporation of category 5 System to Generator Intertripping service

We have developed these guidelines in consultation with the Authority. They can only be changed in line with the processes set out in Standard Condition C16 of our Licence. We will continuously monitor the guidelines to make sure they are valid, and we aim regularly to review and, if necessary, amend them.

If we need to change these guidelines before we issue the yearly updated version of this document, we will do this in accordance with Standard Condition C16.

The latest version of this document, and the relevant amended version (if this applies), is available from our website at **www.nationalgrid.com/uk/Electricity/Balancing/transmissionlicensestatements.**

Copies are also available from the Regulatory Frameworks Manager. Full contact details are set out in Part E of this document.

Contents

Part A: Introduction

1 Purpose of this document

This document sets out the procurement guidelines ('the Guidelines') that we must set out in line with Standard Condition C16 of our Licence. The purpose of these guidelines is to set out the kinds of Balancing Services we may be interested in buying, together with the methods we expect to use to buy those services.

The Guidelines are not a full representation of every possible situation we are likely to encounter, but rather a general statement of the procurement principles we expect to follow.

The rest of this document is structured in four parts:

- Part B sets out the broad definitions of Balancing Services, the general principles we expect to follow to buy those services, the relationship between various Balancing Services and a description of action that we will take outside of the Balancing Mechanism (BM);
- Part C describes the kinds of Balancing Services we expect to buy;
- Part D sets out the procurement methods we expect to use to buy the Balancing Services; and
- Part E contains past Balancing Services volumes and describes other information we will provide to make sure that appropriate signals are available to market participants and other interested parties.

If we need to change these guidelines before we issue the yearly updated version of this document, we will do this in line with Standard Condition C16.

We have developed these guidelines in consultation with the Authority. They can only be changed in line with the processes set out in Standard Condition C16 of our Electricity Transmission Licence. We will continuously monitor the guidelines to make sure they are valid, and we aim to regularly review and, if necessary, amend them.

The Guidelines refer to a number of definitions set out in the Grid Code and Balancing and Settlement Code. If any of the relevant terms in these codes are amended, we may need to change these Guidelines to reflect those amendments.

If our legal responsibilities, or the terms of the Grid Code, contradict any part of these Guidelines, the relevant statutory obligation and/or term of the Grid Code will take priority.

Unless defined in the Guidelines, the terms we use here will have the same meanings as those that they have in the Licence, the Grid Code and/or the Balancing and Settlement Code (whichever applies).

The latest version of this document is available from our website. Or, you can ask the Commercial Frameworks Manager for a copy. Full contact details are set out in Part E of this document.

In this document, ‘we’ refers to National Grid Electricity Transmission plc and the “Licence” refers to our Electricity Transmission Licence.

Part B: General principles

1 Balancing Services

The services that we need to buy ('procure') to operate the transmission system make up the Balancing Services.

The Licence defines Balancing Services as:

(a) Ancillary Services;

(b) Offers and Bids made in the balancing mechanism; and

(c) other services available to us which serve to help us co-ordinate and direct the flow of electricity onto and over the GB transmission system (in accordance with the Act or the standard conditions) efficiently and economically.

'Balancing Services' does not include anything provided by another transmission licensee in accordance with the STC.

Ancillary Services

These services are described in Connection Condition 8 of the Grid Code, and are services we buy from Authorised Electricity Operators (AEOs) or people who make interconnector transfers. These services can be mandatory or commercial. We do not buy them from electricity consumers.

Balancing Mechanism Offers and Bids

These are commercial services offered by generators and suppliers and bought through arrangements set out in Paragraph 5.1, Section Q of the Balancing and Settlement Code. They represent a willingness to increase or reduce the energy output from Balancing Mechanism Units (BMUs) in exchange for payment. Accepted services are used to control the national and local balance of generation and demand.

'Other Services'

These are any other commercial services that we can enter into with any party. These services can be provided by parties who are not AEOs. This category would include any service provided by parties that have not signed up to the Balancing and Settlement Code. 'Other services' may also include buying energy for balancing purposes. For more details on 'other services', see Part C.

2 Procurement Principles

When buying Balancing Services, we will apply the principles set out below:

- Without prejudice to the factors below and after having taken relevant price and technical differences into account, we will award contracts for Balancing Services. (We will do this in a non-discriminatory manner).

- When we award contracts for providing Balancing Services, we will buy from the sources that offer the most value for money, and take account of the quality, quantity and nature of those services at the time we buy them.

  The types of issues we consider in relation to the quality and nature of services are best explained through an example. When we consider a requirement for frequency response from two potential providers, we will consider the quality, amount and nature of frequency response available to buy. When we assess the quality of the service, we will consider, for example, the provider's past performance. When we assess the nature of the service, we will consider, for example, whether the nature of the provider's frequency response service is dynamic or static.

- If there is, or is likely to be, a number of providers competing to provide a Balancing Service, we will aim to buy that service through an appropriate competitive process (see Table 1) or market method, as described in Part D of this document. In these cases, we will provide a statement[1] to show the processes and terms under which we will award contracts. Copies of these statements are available from the Information Provision Contact listed in Part E of this document.

- If we consider that there are not enough providers competing to provide a Balancing Service (for example, if there is some form of local monopoly), we will award contracts for that service through negotiation.

- If we need Balancing Services over a fairly long-term period, we will advertise this through the communication media set out in Part D of this document.

- If a third party needs Balancing Services, and if we make arrangements on their behalf for the services to be provided, we will charge the costs of the services to the third party.

3. Balancing Services Relationships

We will buy both Ancillary Services and 'Other Services' in line with the principles set out in this statement. The number of services we buy will be restricted by financial and technical factors, including the level and nature of services delivered through BM Offers and Bids.

We will accept Offers and Bids within the Balancing Mechanism in price order, after taking account of the system's technical limits and dynamic parameters associated with the Offers and Bids. Taking account of

[1] "statement" will be a hyperlink to an appropriate index page on our web-site.

these constraints, when we have accepted all available Offers and Bids we can, we may need to begin emergency action. Ancillary Services and 'Other Services' can be considered together as services bought outside the Balancing Mechanism. We will need to buy Ancillary Services and 'Other Services' if:

- we consider that there will not be enough offers and bids available within the Balancing Mechanism to balance the system and maintain the security of supply;

- we consider that it would provide a financially beneficial alternative to buying services through the Balancing Mechanism; or

- the technical characteristics we need are not available through Balancing Mechanism Offers and Bids.

4 Taking Actions Outside the Balancing Mechanism

Our consideration of whether to take action within or outside the Balancing Mechanism will be based on a forecast of the level and cost of services expected to be available within the Balancing Mechanism. We will enter into contracts outside the Balancing Mechanism when we expect a shortage of appropriate Offers and Bids in the Balancing Mechanism to meet system security requirements, or if we consider that those contracts will lead to a reduction in overall cost or provide technical characteristics that are not available through Balancing Mechanism Offers and Bids. The principles relating to how we will forecast whether there are enough Offers and Bids in the Balancing Mechanism, and to the technical characteristics mentioned above, are set out in the Balancing Principles Statement.

When considering what action will be taken outside the Balancing Mechanism, or what action will be taken before Gate Closure, it is

useful to examine energy-related products separately from Other Services, as well as from Ancillary Services.

- We normally enter into Ancillary Service Agreements before Gate Closure so that prices and service capability are agreed well beforehand. Usually, under the Ancillary Service Agreements, the services must be provided within Gate Closure timescales and payments must be made on top of those made within the Balancing Mechanism. An example of this type of payment is the Frequency Response capability payment, which is contracted for in advance and then made when a provider is placed in a state where it is capable of changes in its output as a result of deviations in system frequency.

- In the case of Balancing Services not provided by Authorised Electricity Operators (AEOs), we normally enter into agreements before Gate Closure. These services are exercised within Gate Closure timescales, but the providers will often not be a Trading Party within the Balancing and Settlement Code. An example of this is the Frequency Response services provided by the demand side. This results in the contract being entirely outside the Balancing Mechanism.

- For energy, we will trade using the same instruments as other traders (depending on any restrictions set out in the Transmission Licence). For example, we will enter into agreements before Gate Closure to pay a provider an option fee to make sure that energy is available in the Balancing Mechanism. We may then exercise this option before or after Gate Closure.

- If standard energy-related products do not provide for our specific requirements, we will aim to amend the standard trading instrument by agreement. For example, for providing a MW profile

from a specific BMU provider, we may choose to use a Pre Gate Closure BMU Transaction (PGB Transaction) or a Grid Trade Master Agreement Schedule 7A transaction to make sure that energy is delivered according to that MW profile. This could be used to synchronise or desynchronise BMUs with dynamics that extend outside the Balancing Mechanism.

Part C: Balancing services needed

1 Types of Balancing Services

We are interested in buying the following types of Balancing Services.

Ancillary Services

- System Ancillary Services (Part 1) – the mandatory services that must be provided by all licensed generators of:
  - Reactive Power; and
  - Frequency Response.

- System Ancillary Services (Part 2) – the services that need to be provided (if an agreement is reached) by some generators of:
  - Black Start Capability;
  - Fast Start Capability; and
  - System-to-Generator Operational Intertripping for categories one to four, as defined in the Grid Code.

    In addition, System-to-Generator Operational Intertripping service for category 5 (as defined in the Grid Code) may need to be provided by some Generators to cover intertrips capable of being armed with respect to a derogated non-compliant transmission boundary, as defined in the CUSC.

- Commercial Ancillary Services. The following services need to be provided (if an agreement is reached) by some generators of:
  - Enhanced Reactive Service;
  - Commercial Frequency Response Service;
  - Reserve Services comprising:
    - Fast Reserve;
    - Short Term Operating Reserve; and

- BM Start-up;
- Commercial Intertrips;
- System-to-System Services (including Emergency Assistance);
- Maximum Generation Service; and
- Transmission Related Agreements.

Other Services

Services other than those provided as an Ancillary Service, made up of the following.

- Reactive Power;
- Frequency Response;
- Short Term Operating Reserve;
- Fast Reserve; and
- Demand Intertrip.

Energy Related Products, made up of:

- Forward Energy Trades;
- Power Exchange Trades; and
- Energy Balancing Contracts.

A number of services are listed under both Ancillary Services and Other Services. This distinction arises from the definition of Ancillary Services in the Transmission Licence, which defines Ancillary Services as being provided by AEOs or interconnector parties. So, where parties that are not AEOs provide a service (such as frequency response), it is classified as an 'Other Service' rather than an Ancillary Service.

2. Description of Balancing Services

2.1 Ancillary Services

There are two general types of Ancillary Service, as defined in the Grid Code.

System Ancillary Services, which are divided into two parts, are made up of Part 1 System Ancillary Services and Part 2 System Ancillary Services. Part 1 services are mandatory and must be provided by all licensed generators. Part 2 services are not mandatory, but are provided by some generators, on a site-by-site basis, to meet specific system requirements if agreement is reached. Any Ancillary Service which is not a System Ancillary Service but is provided by an AEO is known as a 'Commercial Ancillary Service'.

System Ancillary Services make up the services as set out and described in Connection Condition 8.1 of the Grid Code are set out below:

- All licensed generators must provide Part 1 System Ancillary Services to make sure they provide a minimum technical capability to deliver voltage and Frequency Response services.

- Some generators need to provide the Part 2 System Ancillary Services of Black Start Capability and/or Fast Start Capability (or both). Our extra requirements for these services depend on how existing providers actually provide, or are expected to provide, these services.

- Some generators will also need to provide System-to-Generator Operational Intertripping Schemes ~~as a condition of connection.~~:

  1. For categories one to four Intertripping Schemes, this service is provided by new Generators as a condition of connection;

2. For category 5 Intertripping Scheme, this service covers intertrips that are capable of being armed with respect to a derogated non-compliant transmission boundary (as defined in the CUSC), subject to an Authority approved derogation to the Security and Quality of Supply Standards. The selection of an appropriate service provider for category 5 Intertripping Scheme will be based on, but not limited to, the following criteria:
    a) Technical characteristics of a Generating Unit;
    b) The cost of connecting a Generating Unit to the System-to-Generator Scheme;
    c) Payments associated with a category 5 service provider;
    d) Size of load;
    e) Load factor and the likelihood of a Generating Unit running during constraint periods;
    f) Anticipated time to return to commercial load following an intertrip
    g) Diversity of generation necessary to allow effective management of constraints if, for example, plant with intertrip capability is not generating or if it is required to generate at a certain output to manage local issues.

Future Requirements

We are interested in discussing arrangements with possible new providers of the Black Start Capability service. However, there is no requirement for any extra Fast Start Capability beyond the current service provided by existing providers. The need for System to Generator Operational Intertripping Schemes will depend on how the system is developed in the future and any new connections to the Transmission System.

Commercial Ancillary Services, described in Connection Condition 8.2 of the Grid Code, are agreed bilaterally and set out in an Ancillary Services Agreement (as long as satisfactory commercial terms are

agreed). The Commercial Ancillary Services we expect to buy are as follows.

- Enhanced Reactive Power Service - which exceeds the minimum technical requirement set out in Connection Condition 6.3.2 of the Grid Code. We will contract for these services as described in the relevant Reactive Power market arrangements (see Part D) and in accordance with Schedule 3 of the CUSC.

- Commercial Frequency Response Service - which provides for combinations of different technical characteristics (compared to mandatory frequency response services), and other pricing arrangements. We contract for these services when the expected cost is lower than the alternative service provided.

- Reserve Services these are instructed services needed over a variety of timeframes to match generation and demand. The services we expect to buy can be broken down into the parts set out below:

    - Fast Reserve – a fast-acting, reliable, flexible service, provided by plant capable of increasing energy production or reducing energy consumption, at set rates and within a set time period. The details of this service will be described in the detailed statements associated with the tender (see Part D).

    - Short Term Operating Reserve (STOR) which is provided by either increasing generation to the system, reducing demand or a combination of both, within set timescales. The details of this service will be described in the detailed statements associated with the tender (see Part D).

- BM Start-up – a service that allows us to access MW from BMUs that would not otherwise have run, and that are unable to start up within Balancing Mechanism timescales on the day. Firm payments for this service are made on a pound-per-hour basis, to remunerate the costs of preparing a BMU to start up and synchronise within Balancing Mechanism timescales.

- Commercial Intertrip this service is needed to limit the pre-transmission line fault output restrictions that may apply to Power Stations. This service is the same as a normal intertrip, except that the generator does not have to provide the service as part of its connection conditions. There is a very limited and localised requirement for this service.

- System-to-System Services (including Emergency Assistance) these services provide support between the transmission system and other interconnected systems. These services are only provided through interconnectors.

- Maximum Generation Service – this service is needed to provide extra short-term generation output during periods of system stress for system balancing. This service allows access to unused capacity outside of the Generator's normal operating range. This service begins when an Emergency Instruction is issued in line with the Grid Code BC2.9.2, Section 4 of the CUSC[2] and the Maximum Generation Service Agreement.

- Transmission Related Agreements if connection arrangements result in a need for the output of a generator to be constrained due to events on the transmission system, we manage the commercial process through a Transmission Related Agreement.

[2] The Connection and Use of System Code

2.2 Other Services

As set out in Part B, 'Other Services' include services which are not classified as 'Ancillary Services', but technically can provide the same effect from different service providers. An example of Other Services would be Frequency Response provided by an electricity consumer (a party that is not an AEO).

Other Services may also include energy bought and sold in connection with operating the transmission system and/or doing so economically and efficiently. Purchases or sales through bilateral forward contracts or through a recognised exchange will fall within this category. This includes Pre-Gate closure BMU Transactions. We will include the levels of energy we buy in the Balancing Services Adjustment Data (BSAD) we provide to the Balancing Mechanism Reporting Agent, in line with the BSAD Methodology Statement. We will then use the data for inclusion in the calculation of System Sell Price and System Buy Price, in accordance with the Balancing and Settlement Code.

2.3 Prohibited Activities

We have been given discretion with regard to the procurement of Balancing Services, subject to a licence obligation to operate the transmission system in an efficient, economic and co-ordinated manner and under the umbrella of an incentive scheme.

We should be able to make the best use of the range of tools available to us, including (but not limited to) energy contracts and option contracts called both inside and outside the Balancing Mechanism.

We are also prohibited from purchasing or otherwise acquiring electricity for resale or other disposal to third parties except pursuant to the procurement or use of Balancing Services in connection with operating the transmission system and doing so economically and

efficiently (or with the consent of the Authority) with the result that we are prohibited from speculative trading.

We must also publish a range of information in relation to how we expect to buy Balancing Services and energy. For full details of the range of information that we will publish, and details of where you can find this information, see our website at http://www.nationalgrid.com/uk/Electricity/Balancing/services/.

2.4 Buying Energy or Selling Energy Related Contracts

We may buy or sell energy or energy-related contracts for the following reasons.

- to meet our mean forecast requirement for balancing energy.

- to provide options to meet potential differences from the mean forecast. The Reserve Services described above may meet this requirement;

- to reduce the total cost of balancing the transmission system using the Balancing Mechanism – for example, if a certain volume of Offers are forecast to be needed in the Balancing Mechanism (such as for the purposes of establishing spinning reserve), it may be more economic to buy a volume of forward energy so that we reduce the volume of Offers and Bids we need); or

- for direct arbitrage between different balancing instruments to gain a lower overall balancing cost. In order to comply with the Licence, this would only be valid if we could make an immediate saving by directly replacing one balancing instrument to meet a specific requirement with another which replaces the same requirement. An example of a

direct arbitrage could be to sell a 12-month contract and replace it with two six-month contracts to run one after the other.

Demand Side Providers and Small Generators

We are interested in buying Balancing Services from demand side providers, depending on technical and dynamic considerations (where demand side providers include demand reducers, demand increasers and small generators embedded onsite).

Demand side providers provide 'Other Services' as defined in section 2.2 above. The types of Balancing Services we are interested in buying from demand side providers are the same as shown in the list of 'Other Services' provided in Part C, section 1.

We encourage demand side providers to take part in the standard market tender process we use to buy the following services (as long as they meet the minimum technical criteria).

- Reactive Power;
- Fast Reserve;
- Short-Term Operating Reserve (STOR); and
- Firm Frequency Response.

We are also interested in entering into bilateral contracts with demand side providers for the following services (again, as long as they meet the minimum technical criteria).

- Frequency Response – provision of non-dynamic response via frequency relay initiated response;
- Fast Reserve – for demand side providers who are unable to participate in the standard market tender arrangements;

- Demand Intertrip – used to assist in maintaining local system security;
- Balancing Mechanism Offers and Bids; and
- Energy Related Products.

We negotiate contracts with demand side providers in the same way as with any other provider.

We are always interested in entering into discussions with demand side providers to provide specialised services, if demand side characteristics prevent the provider from taking part in our standard market tender processes or if there are enhanced services that can be provided.

We are interested in entering into discussions with the demand side about developing new services or market processes. Usually, we would develop new services by using contract trials to assess the service requirement. Once proven, and if appropriate, we will amend these guidelines to reflect the details of the service and the method we will use to buy them. Examples of those services that may potentially be developed further are:

- Fast Reserve by Tele switch control of meters; and
- Demand Management.

Part D: Procurement methods

1 Procurement Process

As set out in Part B of these Guidelines, where enough competition exists we will aim to contract for Balancing Services through some form of market mechanism. In other circumstances, we will enter into bilateral contracts with the service providers. In all these circumstances, we will consider our Licence duties when we enter into these agreements.

Market mechanism

This will normally be a tender-based process for choosing and awarding service contracts. In each case, the market mechanism will include:

- a statement of our service requirements;
- issuing an invitation to put forward tender documents, providing enough information (including standard contract terms and conditions) to allow us to make an offer;
- arrangements for how the process will be managed;
- a statement of principles and criteria that we will consider when assessing who to award contracts to; and
- a report providing information on previous tenders.

Schedule 3 of CUSC contains the market mechanism arrangements for Reactive Power. You can get this information from our website or from the Regulatory Frameworks Manager. Full contact details are set out in Part E of this document.

Bilateral Contracts

We may need bilateral contracts if there is only limited competition between the providers of a service (taking into account locational

factors, if necessary). This may be due to special technical requirements of the service, the existence of some form of monopoly, or the unique characteristics of certain individual providers.

If we consider there to be limited competition, we will:

- contact those providers we believe to be capable of providing the service or who have expressed an interest in providing the service, to find out whether they want to enter into a contract to provide the service; and
- offer non-discriminatory terms for buying the service.

However, if there is not enough time to identify and contact other providers, we reserve the right to award a contract as appropriate to meet system security requirements.

If we consider that there is no competition (such as in the provision of a locational service), we will offer
non-discriminatory terms for buying the service.

2. Procurement Communication Media

We will communicate any service requirement by contacting those providers that we believe may be interested in providing the service, including any existing or past service providers, and anyone who has already expressed an interest in providing the services in the future. We will also advertise our invitation for tenders in the appropriate trade magazines and our website.

3 Procurement Summary

The summary in Table 1 sets out the Balancing Services we expect or plan to buy and the methods we expect to use to buy them. It also sets out the timescales for when we plan to buy those Balancing Services set out in Part C, section 1 of these guidelines.

Table 1: Balancing services summary table

Ancillary services	Procurement method	Timescales
Part 1 Services		
Reactive Power	Mandatory Services Agreement in accordance with the CUSC	Evergreen
Frequency Response	Mandatory Services Agreement in accordance with the CUSC	Evergreen
Part 2 Services		
• Black Start	Bilateral contracts	Up to life of asset
• Fast Start	Bilateral contracts	Up to life of asset
• System to Generator Operational Intertripping	Entered into in accordance with the CUSC	Up to life of asset
Commercial Ancillary Services		
Enhanced Reactive Services	Contracts from market tenders or bilateral contracts	At least each year
Frequency Response	Bilateral contracts or contracts from market tenders	At least each month, through a bilateral contract or tender process
Reserve		
• Fast Reserve	Bilateral contracts or contracts from market tenders	At least each month, through a bilateral contract or tender process
• STOR	Contracts from market tenders.	As necessary through a tender process
• BM Start Up	Bilateral contracts	Evergreen
• Commercial Intertrip	Bilateral contracts	As necessary

Ancillary services	Procurement method	Timescales
• System-to-system services (including Emergency Assistance	Bilateral contracts	Evergreen
• Maximum Generation Service	Bilateral contracts entered into under CUSC	As necessary
Balancing mechanism offers and bids	Services are bought under the terms of the Balancing and Settlement Code	Does not apply
Other services		
Reactive Power	Contracts from market tenders or bilateral contracts	At least each year
Frequency Response	Bilateral contracts	Min Seasonal
STOR	Contracts from market tenders	As necessary
Fast Reserve	Bilateral contracts or contracts from market tenders	At least each month, through a bilateral contract or tender process
Demand intertrip	Bilateral contracts	As necessary
Energy-related products	Markets or bilateral contracts	As necessary

Part E: Providing information

1. General Provisions

We will publish information on the Balancing Services we plan to buy. When doing so, we will aim to provide enough information without compromising the commercial position of any party to whom we may award a contract.

As part of the process of providing information, we will provide BSAD (Balancing Services Adjustment Data). The calculation method we use for BSAD is set out in a separate document entitled 'BSAD Methodology Statement' which we produce under the Licence.

2. Information Provision Contacts

If you want to ask about the Balancing Services we plan to buy, you should first contact the following.

Regulatory Frameworks Manager
National Grid
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

E-mail: BalancingServices@uk.ngrid.com

3 Information about the outcome of the tendering process

In circumstances where we hold tenders, we publish information on the outcome of these processes through market reports, which are

available on our website. This is currently the case for Reactive Power (every six months), STOR (as necessary), Fast Reserve (every month) and Firm Frequency Response (every month). We will publish information on the Maximum Generation Service separately.

4. Costs and Volumes of Balancing Services

For information on the cost and volume of Balancing Services we buy, see the Annual Procurement Report at the following link.

http://www.nationalgrid.com/uk/Electricity/Balancing/pg/

5 Summary of the information we provide

Table 2 sets out the information on Balancing Services that we will make available. A number of services set out in Table 1 have also been included in Table 2 to make sure that we provide enough information without compromising the commercial position of any party we plan to award a contract to.

Table 2 sets out the volume and cost of the services, the timescales for when we will update this information, and where the information is available. In many cases, we will provide the information in line with the BSAD Methodology Statement. For hard copies of this information, ask the Regulatory Frameworks Manager. Full contact details are set out in section 2 above.

6 Future Developments

The information we provide in the future will be vital to the process of developing new services and will keep to the principles set out below.

- We will provide information in relation to balancing activities we carry out if it will help the wider market to work more efficiently.
- We will provide ex-ante information if it helps the market to be in a position to balance without intervention from System Operator.

- We will provide information to all parties at the same time, without favouring or discriminating against anyone.

We will also aim to make sure that:

- providing the information does not undermine an individual party's commercial confidentiality;
- providing information does not result in the System Operator becoming a 'distressed buyer';
- the information will not highlight where the System Operator has a location-specific constraint; and
- any benefit to the wider industry from providing the information justifies the costs of providing it.

7 Disclaimer

All information we make available to market participants and other interested parties under these Guidelines is published in good faith. However, we do not make any guarantees that the information is accurate or complete. As a result, we cannot accept liability for any mistakes in the information published or information which is missing from the published information, except in respect of a misrepresentation made fraudulently.

Table 2: Summary of the balancing services information we will provide

Balancing Service	Volume	Price	Timescale	Where the information is available
Reactive Power	Past figures set out in Reactive Power Market Report.	Standard prices set out in CUSC Schedule 3, Part 1.	Invitation to tender issued every six months.	Invitation to tender available on our website.
	Utilisation volumes per BM Unit in the Reactive Power Market Report.	Full successful tender details by BMU in Reactive Power Market Report.	Market Report published every six months after each tender round (as set out in CUSC).	Market Report available on our website.
	Utilisation data on a lead and lag basis for each BMU.	Contractual information, including price, capability, commencement and term.	Information updated in line with the Market Report.	Available on our website.
	Reactive Power capability requirement index.		Index published from tender round 9 (e.g. contracts starting on 1 April 2002, tender pack issued in September and October 2001).	Index set out in the Reactive Power Invitation To Tender, which is available on our website.

Balancing Service	Volume	Price	Timescale	Where the information is available
Frequency Response	Primary, secondary and high-frequency response volume requirement curves and tables to show the needs of the system.	Part 1 System Ancillary Service – Holding rates for primary, secondary and high-frequency response. Tendered Commercial Frequency Response - Price of tendered primary, secondary, and high-frequency response.	Part 1 System Ancillary Service – we will publish prices every month. Tendered Commercial Frequency Response – we will publish prices when we have received tenders. We will publish system response volume requirement tables every month. We will update requirement curves every year.	Primary, secondary and high-frequency response prices, requirement curves, and tables are available on our website.
	MWh of Primary, Secondary and High Frequency Response held in each day of the month.	The volume of response held will be broken down on a BMU basis.	We will publish Response volumes every month.	Primary, secondary and high-frequency response volumes are available on our website.
	Assumed utilisation volumes (combined for all BMUs).	Total imbalance compensation (payment to all generators across the month).	We will publish assumed utilisation and total imbalance compensation prices every month.	We will publish assumed utilisation and total imbalance compensation prices on our website.
STOR	Tendered volume and contracted volume from the latest tender round.	Tender price information.	STOR market information report updated after each	All information will be set out in the market information report, available on our industry information

Balancing Service	Volume	Price	Timescale	Where the information is available
	We will publish system reserve requirements, and contracted volume from previous tender rounds in the year, before the next tender rounds.		tender round.	website.

Balancing Service	Volume	Price	Timescale	Where the information is available
Fast Reserve	Indicative volume requirement by Settlement Period Past utilisation by day and by average Settlement Period.	Total past volume reported by three price bands (Bids and Offers).	We will publish requirements each month in advance.	We will publish this information on our website.
BM Start Up	Estimated capacity level (MW).	Hourly BM Start Up payment rate.	As soon as is practical after issuing a new BM Start Up instruction, or if there are changes to an existing BM Start Up instruction.	We will publish this information through our website whenever we can.

Balancing Service	Volume	Price	Timescale	Where the information is available
Maximum Generation Service	We will provide contracted and available volumes on an ex ante basis, including the volume that is automatically guaranteed payment. We will publish delivered volumes once we have the actual data.	Price in £/MWh as set out in the Maximum Generation Service Agreement	We will publish information at the time the contract is signed, and update it when necessary. We will also provide information when we have it, which will give details of utilisation of the service, including instruction times, the volume delivered and payments.	We will publish this information on our website.
Energy Products	Total MW contracted (buy and sell) pre-gate closure for each Period.	Total cost (buy and sell) is set out in the BSAD.	We will publish the BSAD at 5pm day ahead -1. Also, we will publish BSAD every half hour at Gate Closure.	We will publish a version of the BSAD on our website at 5pm day ahead . This version shows energy-related costs and volumes (buy and sell). We will calculate the BSAD in line with the BSAD Methodology Statement, and make it available to the BMRA for publication every half hour. We will make half-hourly BSAD available to be published on the BMRS.

Balancing Service	Volume	Price	Timescale	Where the information is available
Pre Gate Closure BMU Transaction	For each Pre Gate Closure BMU Transaction, we will publish the specific BMU, volumes and price.		We will enter an accepted offer on the BMRS warning screen at the time we agree the transaction. We will publish all offers as soon as we can but, in any case, before the end of D+1.	The accepted offer will be displayed on the BMRS warning screen. We will publish all offers on our website.